

# 2005 ANNUAL REPORT



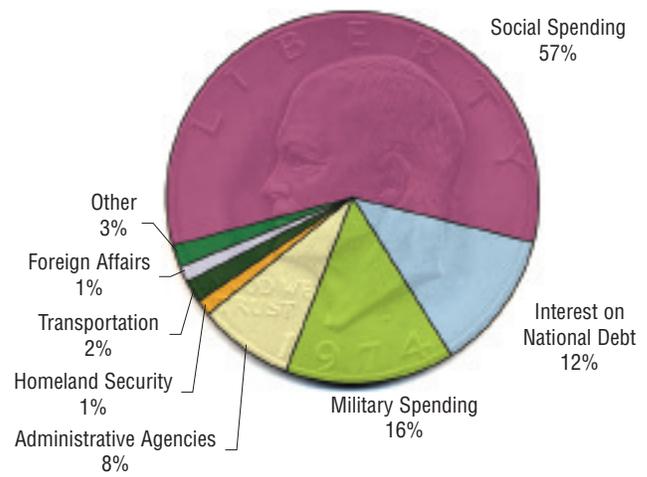
*on the*  
UNITED STATES  
GOVERNMENT



CONGRESSMAN PAUL RYAN  
SERVING WISCONSIN'S 1ST DISTRICT

# Composition of Federal Spending—2005

Source: U.S. Department of Treasury



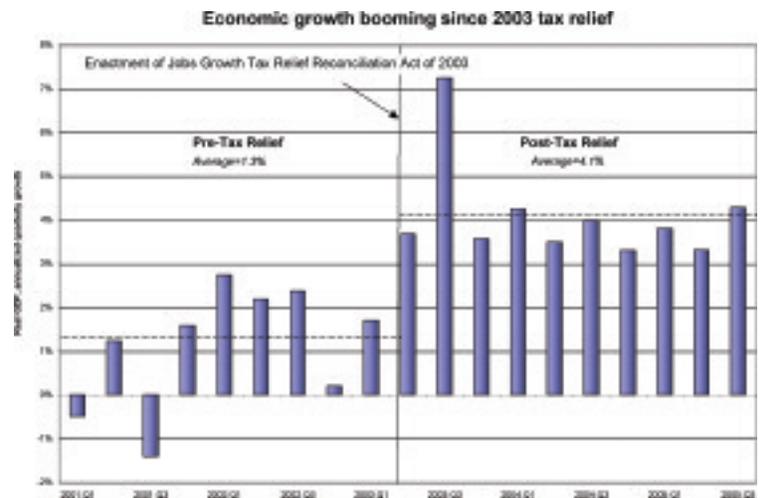
## Deficit Spending and Future Challenges

For 2005, our budget deficit is expected to be \$319 billion, an improvement of \$93 billion over last year's deficit and an improvement of \$108 billion over this year's projected budget deficit. This is a drop of nearly one quarter of the entire deficit in just one year.

This reduction in our deficit can largely be attributed to a surge in tax revenues as a result of strong economic growth. The federal government lowered taxes in 2003, and revenues have increased over the past two years, after decreasing every year from 2000 to 2003 at the higher rates. In fact, in 2005, revenues on the individual side increased by 14.6% as more people entered the workforce and began paying taxes. Revenue generated by corporate taxes also increased by 47% in 2005, after a 43.7% increase in 2004.

Although our budget deficit has fallen substantially in the past year, major challenges loom on the horizon. We have committed to spending over \$62 billion to help the victims of Hurricane Katrina, and this will be reflected in our deficit in 2006. I am working to provide offsets for this spending because I believe that we all must make small sacrifices in times of crisis to help those in need.

In addition, the retirement of the baby boom generation will cause spending on mandatory programs such as Social Security, Medicare and Medicaid to soar. In fact, at current growth rates, the three major entitlement programs are expected to take up our entire budget by 2035. I am extremely concerned about the impact that this increased spending will have on the U.S. economy and believe that we must act now to get our spending problems under control.



Source: U.S. Bureau of Economic Analysis

## Economic Growth and Job Creation

Overall, America's economy remains strong. We have added 2.1 million new jobs over the past year and 4.4 million new jobs since the end of the recession in June 2003. As a result of this strong growth, the unemployment rate fell from a peak of 6.3% in June 2003 to 5% today. This is lower than the average unemployment rate in the 70's, 80's and 90's.

Our Gross Domestic Product (GDP) also remains among the highest in the industrialized world. During the third quarter of 2005 our GDP grew at 4.3%, and it has averaged 4.1% over the last ten quarters. In fact, the ten consecutive quarters of GDP growth over 3% represent the longest period of this type of sustained growth since 1983-1986.

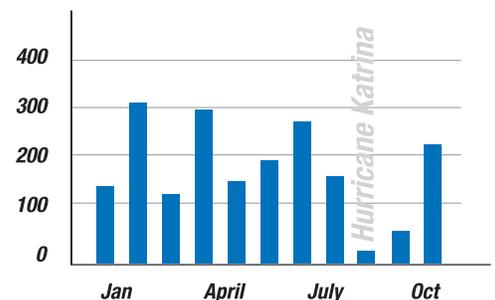
One of the most important contributors to our GDP growth has been an increase in business investment. Since Congress cut taxes in 2003 to help grow the economy, business investment has grown by an average of 11.3%. Prior to the tax cuts, it had been falling for eight straight quarters.

In Wisconsin, our economy is growing as well. We have gained 61,000 new jobs since mid-2003, including 23,000 new jobs this year. Our unemployment rate is also significantly lower than the national average, at 4.5%. Despite this positive news, our manufacturing sector continues to face challenges. To help this sector continue to remain competitive worldwide, I am working in

Congress to lower the tax burden, lower health care costs, lower energy costs, and make sure other countries such as China are playing by the rules.

### 2005 Job Growth Returns to Pre-Hurricane Levels

(Change in employment, in thousands)



Source: U.S. Bureau of Labor Statistics

# Statement of Federal Revenues and Expenses

## Revenues

	Fiscal Year <sup>1</sup>			
	2004	2005	% of total	% change
Individual income taxes . . . . .	\$808,958,000,000	\$927,222,000,000	35.0%	14.6%
Social insurance taxes <sup>2</sup> . . . . .	733,408,000,000	795,120,000,000	30.0%	8.4%
User fees, earmarked taxes and receipts . . . . .	470,127,000,000	497,703,000,000	19.0%	5.9%
Corporation taxes . . . . .	189,370,000,000	278,281,000,000	10.0%	47.0%
Excise taxes and customs duties . . . . .	90,938,000,000	96,471,000,000	4.0%	6.1%
Miscellaneous receipts . . . . .	32,279,000,000	32,445,000,000	1.0%	0.5%
Death taxes <sup>3</sup> . . . . .	24,831,000,000	24,764,000,000	1.0%	-0.3%
<b>Total Revenues</b>	<b>\$2,349,911,000,000</b>	<b>\$2,652,006,000,000</b>		<b>12.9%</b>

## Expenses

Social spending <sup>4</sup> . . . . .	\$1,577,561,000,000	\$1,688,309,000,000	57%	7.0%
Interest on national debt . . . . .	321,566,000,000	352,350,000,000	12%	9.6%
Military spending . . . . .	438,111,000,000	476,101,000,000	16%	8.7%
Administrative agencies <sup>5</sup> . . . . .	231,978,000,000	238,083,000,000	8%	2.6%
Homeland Security <sup>6</sup> . . . . .	29,957,000,000	43,132,000,000	1%	44.0%
Transportation . . . . .	55,401,000,000	57,671,000,000	2%	4.1%
State and foreign affairs <sup>7</sup> . . . . .	38,413,000,000	41,676,000,000	1%	8.5%
Environment, fish, wildlife, parks and interior <sup>8</sup> . . . . .	40,753,000,000	39,041,000,000	1%	-4.2%
NASA . . . . .	15,186,000,000	15,611,000,000	1%	2.8%
Judiciary . . . . .	5,473,000,000	5,646,000,000	*	3.2%
Congress . . . . .	3,728,000,000	3,870,000,000	*	3.8%
The President <sup>9</sup> . . . . .	4,629,000,000	9,131,000,000	*	97.3%
<b>Total Expenses</b>	<b>\$2,762,756,000,000</b>	<b>\$2,970,621,000,000</b>		<b>7.5%</b>
<b>Surplus (DEFICIT)<sup>10</sup></b>	<b>(\$412,845,000,000)</b>	<b>(\$318,615,000,000)</b>		<b>-22.8%</b>

Source: U.S. Department of Treasury

\* indicates less than 1%

## Notes

- The U.S. Government fiscal year begins on October 1 and ends on September 30.
- Includes direct taxes and payroll taxes from individuals and employers for disability insurance, Social Security and other federal retirement programs, hospital insurance taxes, and unemployment insurance taxes.
- Repealed effective January 1, 2010 (Public Law 107-16).
- Includes arts, education, labor, benefits (such as public housing, child nutrition, food stamps and other agricultural programs) for people and families with incomes below certain levels, federal retirement programs (including Social Security and Medicare), health care services for low-income seniors and families, unemployment benefits, veterans' pensions, and drug control programs.
- Includes Small Business Administration, the Departments of Energy, Commerce and Justice, as well as EEOC, FCC, FDIC, FEMA and independent agencies.
- Outlays for U.S. Department of Homeland Security reflect increased funding for National Flood Insurance Fund and Disaster Relief Fund.
- Includes Department of State, Peace Corps, Overseas Private Investment Corporation, U.S. Agency for International Development, foreign military sales, and other international assistance programs.
- Includes EPA, National Park Service, Fish and Wildlife Service, Bureau of Land Management, Forest Service, National Oceanic and Atmospheric Administration, Army Corps of Engineers, and major environmental programs of federal agencies.
- Outlays for the Executive Office of the President (EOP) have been increased. The increase in EOP outlays reflects costs associated with Iraqi relief and reconstruction fund.
- Represents unified budget surplus/deficit.

### Stay Informed

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[www.house.gov/ryan](http://www.house.gov/ryan)





U.S. House of Representatives  
WASHINGTON, DC 20515

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PRSRT STD M.C.

# ANNUAL REPORT TO TAXPAYERS



## U.S. House of Representatives Congressman Paul Ryan

Dear fellow taxpayer:

As taxpayers, we are shareholders in the federal government. Therefore, we are entitled to know how much money the government collects from us and how our money is spent. That is why I am sending you this 2005 Annual Report, which summarizes the U.S. government's finances.

It is important to consider a number of points as you analyze this year's report.

- The tax cuts passed in 2003 have increased economic activity and created new jobs. Since taxes were cut, we have gained 4.4 million new jobs, the unemployment rate has fallen from 6.3% to 5%, and Gross Domestic Product (GDP) growth has accelerated from an average of 1.3% to 4.1%. In addition, business investment has grown at an average of 11.3% over the past ten quarters, after decreasing for eight straight quarters prior to the tax cuts.
- All of this economic growth has led to a surge in tax revenue to the federal government and a reduction in the federal budget deficit. After decreasing each year from 2000 to 2003, tax revenues increased in 2004 and 2005. In fact, in 2005, corporate income tax receipts increased by 47% and individual income tax receipts increased by 14.6%. This has helped reduce our deficit by one quarter over the initial projection for 2005.
- Although the economy is growing, the federal government continues to spend more than it collects in tax revenues, resulting in unacceptable budget deficits. In order to address this problem, we must find offsets to emergency spending, reform the budget process, and eliminate wasteful pork-barrel spending.
- The federal government has promised over \$62 billion in spending to help the victims of Hurricane Katrina, which will have an impact on our 2006 budget. I support finding offsets, such as a reduction in the rate of growth of existing programs, to reduce the impact of this spending on our deficit.
- The federal government's primary funding priority is – and will continue to be for some time – supporting our troops in the war on terrorism. The costs associated with winning this war, including military pay, supplies, equipment and weapons, are significant but key to our long-term success.

I hope you find this Annual Report helpful. As always, please feel free to contact me if I can be of assistance to you in dealing with the federal government. I am always happy to respond and be of service to you.

### CONTACT PAUL AT:

MAIL: 20 S. Main St. #10, Janesville, WI 53545  
PHONE: 1-888-909-RYAN (7926)  
FAX: (202) 225-3393  
WEBSITE: [www.house.gov/ryan](http://www.house.gov/ryan)

Sincerely,



Paul Ryan  
Serving Wisconsin's 1st District